

SEWER AUTHORITY MID-COASTSIDE

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Half Moon Bay, CA 94019
Phone 415-726-5566

RECEIVED
JAN 25 1979
CENTRAL COAST COMM.
REGION III

January 25, 1979

Central Coast Regional Coastal
Zone Conservation Commission
Attn: Diane Landry
701 Ocean Street, Room 310
Santa Cruz CA 95060

Dear Diane:

In response to your supplemental request, furnished herein is the information necessary to assess the financial impact of the SAM project as required by Section 13652 of the State Natural Resources Code. We understand that the other provisions of this code section have now been satisfied by your receipt of a letter from the staff of the State Water Resources Control Board.

DISTRIBUTION OF COSTS

Enclosed herewith is a sheet entitled "TABLE A, DISTRIBUTION OF PROJECT COSTS," from a report considered by the SAM Board in April of 1976 when deciding on the distribution formula for sharing the local costs. Although not labeled as such, the upper half of this table reflects the then calculated costs of what has now become Phase I of the SAM project. Phase II, which will be deferred until after the L.C.P.s are completed, will encompass the lower half of the table.

As can be seen from TABLE A, these calculated costs of the total project as designed are expected to receive 76% grant funding, leaving 24% to be funded locally. Of the Phase I portion only, it can be calculated that approximately 86% is to be grant funded, leaving only 14% to be funded locally.

Also enclosed herewith is an extract of the minutes of the SAM Board meeting of April 28, 1976. As will be noted, the decision of the Board was to deviate from the straight 1/4 - 1/4 - 1/2 capacity distribution formula used in the TABLE A example, to a 4/13 - 4/13 - 5/13 cost distribution formula which gave credit for previous expenditures and existing useable facilities at the Half Moon Bay treatment plant.

To calculate the expected costs of now proceeding with Phase I of the project, it is necessary to update the cost figures from the above referenced TABLE A. When these figures were used, it was expected that the project would be under construction approximately 18 months sooner than will now be the case. An inflation factor of 15% per year must therefore be added to the 1976 figures.

In addition, the costs of modifying the new outfall to now accommodate Half Moon Bay's flow, and incidental costs related to effectuating the phasing of the project must also be added in. Set forth below is a table reflecting these updated calculations, shown in thousands of dollars:

BACKGROUND INFO.
P. 79.93/94/95

PLAN F - LOCAL DISTRIBUTION OF PROJECTED COSTS - PHASE I	
Total Phase I cost from TABLE A (1976 Report)	3,353
Annual inflation @ 15% for 18 months	792
Outfall modification and incidental phasing costs	40
	<u>4,185</u>
Total Local Share @	14%
	<u>585</u>
H.M.B. Share @ 5/13 =	225
M.S.D. Share @ 4/13 =	180
G.S.D. Share @ 4/13 =	<u>180</u>
	585

As you know, to date SAM has retained the option of still converting Phase II of the project from Plan F to Plan A, under certain conditions being imposed by the State Water Resources Control Board. In the event this should happen, then the cost distribution formula set forth above may also have to be altered.

A third enclosure herewith is a copy of the January 22, 1976 "JOINT LETTER OF UNDERSTANDING BETWEEN THE CITY OF HALF MOON BAY AND THE COASTSIDE SEWER SERVICE AGENCY." This agreement was instrumental to the establishment of SAM and was incorporated into the Joint Powers Agreement creating SAM on February 3, 1976.

You will note from article 4 under DETERMINATIONS, that in the event Plan A is substituted for Plan F, "then the local share of costs associated with this plan shall be born by each agency on the basis of direct use and benefit with the City not sharing in any of the costs of the intertie transmission lines or C.S.S.A. (Montara and Granada) treatment plant improvements."

This matter is scheduled for review at the next SAM meeting of January 31, 1979. Unless this original agreement is changed, however, and in the event Plan A should be substituted for Plan F as Phase II of the project, then the distribution of local updated costs would conceivably be as follows:

PLAN A - LOCAL DISTRIBUTION OF PROJECTED COSTS - PHASE I				
Component	H.M.B.	M.S.D.	G.S.D.	Total
Conveyance System		162	162	324
Outfall Line	72	35	35	142
Reclamation Line	119			119
	<u>191</u>	<u>197</u>	<u>197</u>	<u>585</u>

In view of the uncertainty relating to a possible change to a Plan A in Phase II of the project, and the fact that the application now before the Coastal Commission is for three separate components of Plan F as previously designed or now being modified, it is here suggested that the information furnished on cost distribution for Plan F be the data used in your financial dollar impact assessment. If the SAM Board of Directors reach a different conclusion at their January 31, 1979 meeting, you will be notified immediately.

METHOD OF PAYMENT

In mid 1976, both Half Moon Bay and Montara received authorization from their constituents for the sale of up to \$700,000. and \$600,000. respectively for their local shares of the total project costs. Both agencies, however, have expressed the intent to fund as much of the project as possible through reserves and connection charges, with their bond authorizations being a guaranteed back up. The local Wells Fargo Bank has also indicated a willingness to carry a series of short term loans for cash flow purposes for all three agencies, to be paid off as periodic grant reimbursements are made by the State.

This fiscal year the Granada District has instituted a substantial increase in their annual sewer service fees with which it will be able to pay for its share of the local costs. This method of raising its share of the local costs has recently come under attack by a group of protestors within the district. As a result, the Granada Board is holding an election on March 6, 1979, where its voters will decide whether to ratify this action or pass a revenue bond issue in the amount of \$750,000. similar to Half Moon Bay and Montara.

As can be seen from the foregoing, no method of financing being used by SAM or its member agencies will obligate existing vacant land, such as would be the case if general obligation bonds were employed. Consequently, no provision of the Coastal Act will be violated through hastening of the time for conversion of agricultural lands to urban use by virtue of any financial obligations on the land.

POPULATION BASE

The SAM boundary is the consolidated boundaries of its member agencies, but the service area which will support the cost for the SAM project is the current corporate city limits of the City of Half Moon Bay and all lands within the Montara and Granada Sanitary Districts which are not zoned RM (Resource Management). A map depicting these two boundaries is enclosed herewith for your information.


As will be noted, the southern portion of the Granada Sanitary District overlaps into the northern portion of the City of Half Moon Bay. As a result, the City actually provides sewer services for fewer than its total population of over 7,000 people. Based on flows and dated census data, it is estimated that approximately 6,000 people reside in the Half Moon Bay service area, while 5,000 and 4,000 reside within the Granada and Montara districts respectively.

In addition to the number of residents presently residing in the SAM service area, in 1977 there were a total of 5,425 undeveloped residential lots existing within previously subdivided, partially developed areas with urban services. Of this total, 2110 were located in the City of Half Moon Bay and 3315 were located within the Granada and Montara Sanitary Districts. It is expected that much of the local share of costs of the SAM project will come from new service connections to these lots, as there are new connection waiting lists numbering in the hundreds at the present time.

C.C.R.C.C.Z.C.
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I trust that the information furnished herewith fulfills your requirements for a financial assessment of the Phase I project. If you need anything more, please notify me and I will respond immediately. We are looking forward to the public hearing now to be scheduled for February 15, 1979 here in Half Moon Bay.

Sincerely,


Fred Mortensen
General Manager

encl: TABLE A, DISTRIBUTION OF PROJECT COSTS
Minutes of 4/28/76 SAM Board meeting
JOINT LETTER OF UNDERSTANDING of 1/22/76
SAM boundary and service area map

mlo

TABLE A

DISTRIBUTION OF PROJECT COSTS

April 14, 1976

PLAN F - ELIG. FLOW = 1.3 mgd of 2 mgd Treatment Plant

Project Element	Total Cost	Percent Eligible	Eligible Cost	St/Fed Grant	Local Costs (M-G-HMB Dist.)		
					M	G	HMB
Pump Station (M)	228	100	228	200	7	7	14
Interceptor (M-G)	532 532	100	532	465	17	17	33
Pump Station (G)	393	100	393	344	12	12	25
Interceptor (G-HMB)	955	100	955	836	30	30	59
Outfall (HMB)	901	100	901	788	28	28	57
Reclaimed Effluent Line	344	83	285	249	24	24	48
Subtotal	3,353		3,294	2,882	118	118	236
Treatment Plants							
Montana	11	100	11	10	1	-	-
Granada	11	100	11	10	-	1	-
Half Moon Bay	2,780	73	2,029	1,776	251	251	502
Subtotal	2,802		2,051	1,796	252	252	502
Total Project Cost	6,155		5,345	4,678	370	370	738

St/Fed
Grant=
76.0%

Local Cost=\$1,478
= 24.0%

A. Local Share Cost Distribution -- (Continued from meeting of April 26, 1976) --

A lengthy discussion was held on how the local costs of the project should be distributed among the 3 member agencies. Several philosophical and actual examples were explored.

Max Burchett indicated that the reclamation line was probably not going to be approved in this project as it was not being viewed by the State as a part of the disposal system. It was suggested that the chances for funding of the reclamation line would fare better if it were deleted from this project and submitted as a separate reclamation project.

Motion was made by Sawrey and seconded by Leger, to remove the reclamation line from the project and submit it for separate funding under a reclamation category. The motion carried unanimously.

Returning to the discussion on local share cost distributions, Pollard suggested using the same formula of .5-.4-.4 used by the State in calculating the combined eligible flows of Half Moon Bay, Montara and Granada respectively to come up with the 1.3 m.g.d. initial eligible capacity.


Using this formula, and based on a total estimated local cost of \$1,478,000, Half Moon Bay's share would be approximately \$568,000, with the districts' being approximately \$455,000 each, including the reclamation line. Without the reclamation line, the figures would be \$530,000 for Half Moon Bay and \$426,000 for each of the districts.

It was generally agreed that these figures would be basically equitable to all concerned, and would justify the cost involved by each member agency for their previously agreed to share in the new plant of 1/2 for Half Moon Bay and 1/4 each for Montara and Granada. Previous expenditures and existing useable plant facilities at Half Moon Bay were part of this consideration.

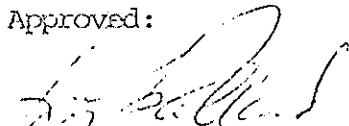
Motion was made by Leger and seconded by Pollard that the formula be established of 5/13 for Half Moon Bay, 4/13 for Montara, and 4/13 for Granada for the proportionate shares of local costs. The motion carried unanimously. These costs will now be conveyed to the financial consultant so that he can complete the Revenue Program for submittal to the State on schedule.

Mr. Leger moved that the meeting be adjourned and this was seconded by Mr. Cardoni. Motion carried unanimously and the meeting was adjourned at 11:20 PM.

Respectfully submitted,


Patricia F. Bennie
Recording Secretary

Approved:


Board Secretary